DOCUMENT RESUME

ED 290 361 HE 020 984

TITLE	Report of the Pension Issues Study Conducted for the Washington Higher Education Secretariat, Pension Issues Committee and TIAA-CREF. Executive Summary.
INSTITUTION	Roper Organization, Inc., New York, N.Y.
SPONS AGENCY	Teachers Insurance and Annuity Association, New York, NY. College Retirement Equities Fund.; Washington Higher Education Secretariat, Washington, D.C.
PUB DATE	Oct 87
NOTE	22p.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Administrator Attitudes; College Presidents; Higher Education; Participant Satisfaction; *Retirement Benefits; School Business Officials; *Teacher Attitudes; *Teacher Retirement
IDENTIFIERS	*College Retirement Equities Fund; *Teachers Insurance and Annuity Association

ABSTRACT

Studies of what participants in the retirement plan of the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) want and expect from their pension plan are summarized. The studies also sought to determine the similarities and differences in the attitudes of individual participants and participating institutions. In addition to two groups of individual pension plan participants, two groups of officers of participating institutions (presidents and business and personnel officers) were surveyed in spring and summer 1987. Completed questionnaires were received from almost 89% of 784 colleges in the TIAA-CREF system. A total of 1,000 randomly-selected participants in TIAA-CREF were interviewed by telephone, along with 500 randomly-selected retired annuitants receiving TIAA-CREF pension benefits. A total of 520 presidents and 590 business or personnel officers responded to questionnaires. In general, TIAA-CREF was viewed favorably by both individual participants and institutional officers. A minority in both of the two individual groups who were interviewed wanted changes in the TIAA-CREF program, such as higher contribution levels and pension benefits. Technical notes on the surveys are included. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED290231

EXECUTIVE SUMMARY

REPORT OF THE PENSION ISSUES STUDY

CONDUCTED FOR

THE WASHINGTON HIGHER EDUCATION SECRETARIAT
PENSION ISSUES COMMITTEE
AND
TIAA-CREF

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

TIAA-CREF

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

OCTOBER 1987

THE ROPER ORGANIZATION INC.

HE020 994

BEST COPY AVAILABLE

FOREWORD

The Pension Issues Committee of the Washington Higher Education Secretariat* and Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) commissioned The Roper Organization to conduct a set of studies to obtain an understanding of what both TIAA-CREF retirement plan participants and participating institutions want and expect from their pension plan. The studies also sought to determine the similarities and differences in the attitudes of individual participants and participating institutions. Broadly speaking, the studies set out to discover the following:

1. The salience of the pension plan to both individual participants and participating institutions in relation to other employment benefits and general conditions of employment.

2. How well informed participants think they are about various aspects of their pension plan, and how well informed they are perceived to be by officers at participating institutions.

3. The importance that both participating individuals and participating institutions place on various pension plan options and services.

4. The existence of any discrepancies between what is wanted in the pension plan by participating individuals and participating institutions and what is actually being offered.

5. A measure of how important choices and flexibilities in the pension plan are to participating individuals, and whether participating institutions think that their employees want more choices in the plan.

6. How competent the participants perceive themselves to be in making financially sound pension investment choices, and how competent officers at the participating institutions perceive their employees to be in making these choices.

7. How favorably or unfavorably individual participants and participating institutions evaluate the TIAA-CREF pension plan.

8. The strength of belief among both individual participants and participating institutions that there is a need for change in the TIAA-CREF pension plan.

In order to obtain this information, two groups of individual participants and two groups of officers of participating institutions, presidents and business and personnel officers, were surveyed in the Spring and Summer of 1987.

---

*Note: The Washington Higher Education Secretariat is comprised of some 30 post-secondary education associations, convened and coordinated by The American Council on Education. Its Pension Issues Committee is charged with the task of meeting with TIAA-CREF "...to consider jointly those matters related to the objectives of colleges and universities in offering pension plan coverage for their faculty and staff members."

Individual Participants

1. 1,000 randomly-selected active participants (individuals currently paying contributions into the TIAA-CREF pension plan) were interviewed by telephone at their homes. The survey form contained over 50 questions.

2. 500 randomly-selected retired annuitants receiving pension benefits from TIAA-CREF were interviewed by telephone in their homes. The survey form contained over 50 questions.

Participating Institutions

1. Presidents at 784 colleges and universities in the TIAA-CREF system, representing a mix of institutions by control, size, and type (4-year or 2-year), were mailed a survey questionnaire. Completed questionnaires were returned by 520 presidents (a response rate of 66.3%).

2. Pension plan administrators, either a business or personnel officer, at the same 784 institutions as the presidents were mailed a similar, but more detailed, version of the questionnaire. Completed questionnaires were returned by 590 business or personnel officers (a response rate of 75.4%).

A completed questionnaire was received from one or both officers at 88.8% of the institutions.

HIGHLIGHTS OF PREMIUM-PAYING TIAA-CREF PARTICIPANTS' RESPONSES

1. **A large majority of premium-paying TIAA-CREF participants are satisfied with their pension plan, and few would like to see any changes made in it.**

   •60% indicate they are "very satisfied" with their pension plan. This compares with 61% "very satisfied" with their sick leave and disability and medical benefits, 54% "very satisfied" with their hospitalization and medical benefits, and 47% "very satisfied" with their group life insurance benefits.

   •More than 8 in 10 participants rate their pension plan favorably — "excellent" by 39% and "good" by 45%. 11% rate it as "fair" and 3% as "poor."

   •Two-thirds of participants see no need for any change in the plan. Just under 3 in 10 want to see some changes, and a majority of them want an increase in the plan's contributions and/or benefits.

   •Asked whether they agree or disagree with a number of statements about their current pension plan, 88% agree that their pension company is financially sound, 77% agree that their contributions are earning a good rate of return, and 67% agree that inflation probably will reduce the purchasing power of their pension after they retire.

2. **Most participants prefer leaving their pension accumulation in TIAA-CREF rather than transferring it to another company or taking it in cash.**

   •When offered the hypothetical retirement options of taking their pension money in one cash payment, transferring it to some other investment fund, or leaving it in their current plan, 70% opt for leaving it in the current plan. 15% would want to transfer the money to some other investment fund, and 4% would want the lump sum cash payment.

   •When asked if they would prefer transferring their pension accumulation at this time to another plan or leaving it where it is, three-quarters say they would leave their accumulation with TIAA-CREF. 10% would want to move it to another pension fund, and 15% aren't sure which of the two options they would choose.

   •72% are satisfied with the amount of say they now have with respect to how their pension will be paid out to them at retirement.

3. **While most participants were not offered any alternative plans to TIAA-CREF, they are generally satisfied with this and would stay with TIAA-CREF if given the option of switching to an alternative plan.**

   •Two-thirds of participants were not offered any pension option beyond TIAA-CREF, and 27% could have directed their contributions to some other plan. Of the participants who were not given a choice beyond TIAA-CREF, 76% say they are satisfied with having just one pension company available, and 16% are dissatisfied.

•When asked if they would like to switch to another pension company, 82% of all participants say they would rather stay with TIAA-CREF, 7% would rather switch, and 10% don't know if they would want to stay or switch.

•Roughly equal proportions of the participants say they were required to join the pension plan (46%) or had the option of not joining (45%). However, 53% think that the choice of joining should be left to the employee, and 41% believe that participation should be required.

4. **Most participants are satisfied with how and where their pension contributions are invested. There is little interest in having additional investment choices available or in participation in high-risk/high-growth investment funds.**

•A large majority (84%) say they are satisfied with the amount of say they have over how and where their pension contributions are invested.

•A plurality of participants (45%) think they have a narrow range of investment choices in their pension plan, and 28% think they have no real choice at all. 22% see themselves as having a wide range of choices.

•70% say they do not want additional investment choices in their current plan. 24% do want other investment choices, but there is no consensus on what these should be.

•Asked whether a better return on pension contributions would be very likely, somewhat likely, or not too likely if they were to have additional investment choices, a plurality (45%) answer "not too likely." 8% think a better return is "very likely."

•Asked how likely they would be to put part of their contribution in a higher-risk stock fund which seeks above-average returns, if one were offered, a majority (51%) answer "not too likely." 13% of participants think they would be "very likely" to invest part of their contribution into such a fund.

5. **Most participants expect their pension will be the largest source of retirement income and believe an income replacement goal of two-thirds of take-home salary is sufficient.**

•The pension plan is named by 71% as the largest expected source of retirement income.

•A majority (58%) believe an income replacement goal of two-thirds of take-home pay from the combination of pension annuity and Social Security is sufficient. However, a large minority (37%) believe a goal of two-thirds is too low.

•Just under 4 in 10 participants expect to receive two-thirds or more of their pre-retirement salary from the combination of pension annuity and Social Security. However, 3 in 10 don't know what proportion of their pre-retirement income to expect.

6. **Participants are more likely to think that they themselves or their employer rather than the pension company should have the major responsibility for keeping them informed about the pension plan. Few participants make an effort to keep informed about their pension plan, however.**

•Participants are split on the question of who should have the major responsibility for keeping them informed about their pension plan. 40% believe that the major responsibility should lie with the participants themselves, and 35% name the employer as most responsible for keeping participants informed. 22% cite the pension company.

•More than three-quarters of participants say they feel at least "fairly well-informed" about the pension plan. 28% say they feel "very well-informed," and 50% say they feel "fairly well-informed."

•Asked who they would go to in order to get additional information about the pension plan, a majority (57%) name their employer, and 37% say they would go directly to the pension company.

•24% say they study the financial statements they receive on the status of their pension "very carefully" and 37% "just somewhat carefully," while 36% usually "just look at the totals."

HIGHLIGHTS OF RETIRED TIAA-CREF ANNUITANTS' RESPONSES

1. **The large majority of retirees rate the TIAA-CREF pension plan favorably, and few would recommend changes in the plan if given the opportunity.**

   •Asked to rate the TIAA-CREF pension plan on a four-point scale, half rate it "excellent" and another one-third rate it "good." Less than 10% give it a rating of "fair" or "poor."

   •Among the retirees who have participated in pension plans other than TIAA-CREF, TIAA-CREF rates higher—83% "excellent" or "good" ratings for TIAA-CREF compared with 70% "excellent" or "good" for the other plans.

   •70% would not recommend changes in the TIAA-CREF plan if they had the opportunity to do so. Among the 15% who would recommend changes, there is no consensus as to particular changes they think are needed.

   •Asked to agree or disagree with statements about the TIAA-CREF plan, 9 in 10 agree that TIAA-CREF is financially sound and that there is no doubt about its ability to pay their retirement benefits. Three-quarters agree that contributions paid into their pension account have earned a good rate of return.

2. **To the extent that there is concern among retirees about the pension plan, it centers on the size of the contributions that were made when they were working and on the adequacy of their retirement income in the face of inflation.**

   •A substantial minority (nearly 4 in 10) disagree with the statement that the contribution level set for the plan by their employer was high enough to provide them with an adequate retirement income. Over 4 in 10 feel the contribution level was adequate. This concern about income adequacy is greatest in the group who retired prior to 1980.

   •Two-thirds of all retirees agree with the statement that inflation probably will seriously reduce the purchasing power of their TIAA-CREF pension.

3. **Most retirees feel their TIAA-CREF pension is important to their current financial security and endorse required participation in the pension plan as well as an income replacement goal in the plan of at least two-thirds of take-home salary just before retirement.**

   •8 in 10 retirees say their participation in a pension plan while they were working was "very important" to their current financial security, and another 13% call it "somewhat important."

•3 in 10 retirees report the largest portion of their retirement income comes from their pension plan. Slightly more, just over one-third, say Social Security is the largest contributor to their retirement income. Pension income is a more important source of income for those who retired after 1980, with more than 4 in 10 of them saying it represents the largest portion of their retirement income.

•Nearly two-thirds say employers should require employees to participate in the pension plan rather than let employees decide for themselves.

•Just over half of all retirees say that an income replacement goal of two-thirds of pre-retirement salary from a combination of Social Security and pension income is adequate for retirement income. A sizable one-third minority, however, say two-thirds is too low a goal.

4. **Most retirees believe they are getting along well financially.**

•One-third of retirees say their current overall financial situation is better than it was in the years just before retirement, and 45% say it is the same. 17% call their overall financial situation worse, with most of them saying it is a "little worse" rather than "much worse."

•Three-quarters of retirees say cost-of-living increases since retirement have not caused them to make major cutbacks in their lifestyle.

•Nearly 6 in 10 say their current after-tax income is more than or the same as in the years just before retirement. One-third say it is less, with more saying a "little less" rather than "much less."

5. **The great majority of retirees are positive in their assessment of communications about the TIAA-CREF plan they received when they were active participants.**

• 8 in 10 say they felt as informed about the TIAA-CREF plan as they would have liked while they were active participants.

•Most retirees (8 in 10) think the major responsibility for keeping them informed about the TIAA-CREF plan during their active participation lay with their employer and TIAA-CREF rather than with themselves, with 4 in 10 saying it should have been their employer's responsibility and an equal proportion calling it TIAA-CREF's responsibility.

6. **Although most retirees believe they had no real choice or a limited choice about how their pension contributions were invested when they were active participants, they are satisfied with this. Furthermore, most of those who participated in CREF are satisfied with its investment performance.**

•The largest group of retirees (49%) say they felt they had "no real choice" about where their pension contributions were invested. 16% believe they had a "narrow range" of choices, and 21% believe they had a "wide range."

•A large majority of all retirees (79%) say they were satisfied with the choices they had for investing their pension contributions.

• 7 in 10 retirees (69%) say they would not have wanted additional investment choices for their pension contributions, and 15% say they would have, but with no consensus as to what the other investment choices should have been.

•Nearly half the retirees (46%) think it "not too likely" that additional investment choices would have yielded greater returns on their pension contributions. 14% think it "very likely" and 18% "somewhat likely" that this would have resulted in better rates of return.

•Almost 9 in 10 retirees who say they participated in CREF (88%) are satisfied with its investment performance. 6% express dissatisfaction.

7. Retirees are satisfied with the methods and choices of pension payment that were available to them from TIAA-CREF at retirement.

•Nearly 9 in 10 retirees (86%) believe TIAA-CREF gave them a sufficient choice in how their pension benefits would be paid to them.

•Only a small percentage (11%) of all retirees took the Retirement Transition Benefit—about one-quarter of those who say the option was available to them.

•If they had been given the opportunity at retirement to roll over their accumulation into another pension company or investment fund, 81% say they would have been "not too likely" to do so.

•Asked how likely they would have been to take all their pension money at retirement in one lump sum cash payment, 90% answer "not too likely."

OVERVIEW OF PARTICIPANTS' AND RETIREES' RESPONSES TO SIMILAR QUESTIONS

Active participants and retirees were asked some similar questions about pension and retirement issues and their attitudes toward TIAA-CREF. What follows is a brief summary of the results to these similar questions.

1. Large majorities of both active participants and retirees are satisfied with TIAA-CREF, and few want to see changes in the program.

2. Active participants and retirees agree on the importance of a pension to financial security in retirement and believe that an income replacement goal of two-thirds of take-home salary is sufficient. However, the two groups do not fully agree on whether participation in a pension plan should be voluntary or mandatory; nearly two-thirds of retirees, but just 4 in 10 active participants, believe that employers should require participation.

3. Both active participants and retirees show concern about the adequacy of the contribution levels of their pension plans and about the effect inflation probably will have on their retirement income.

4. Retirees and active participants agree that they have or had limited or no real choice about where their pension money is or was invested, but large majorities in both groups are satisfied with this and do not or would not have wanted additional investment choices for their pension contributions.

5. Active participants and retirees both think they are reasonably well-informed about TIAA-CREF, but they do or did not make much of an effort to keep informed about their pension plan. The groups disagree somewhat as to who should bear the primary responsibility for keeping them informed. 4 in 10 active participants feel that the major responsibility should lie with the participants themselves, one-third name the employer, and 2 in 10 the pension company; among retirees, 4 in 10 name the employer and another 4 in 10 name the pension company.

6. Active participants and retirees generally are satisfied with the pension payment options available to them. Given the choice at retirement among a full cash option, a full transfer or rollover option, or leaving the pension accumulation with TIAA-CREF to receive as a pension, 7 in 10 active participants would leave it with TIAA-CREF. Among retirees, 9 in 10 say it is not likely they would have taken a full cash payment of their pension accumulation, if this option were available at retirement, and 8 in 10 say the same about a transfer or rollover of their pension accumulation at retirement.

HIGHLIGHTS OF COLLEGE AND UNIVERSITY PRESIDENTS' RESPONSES

1. **The overall evaluation of TIAA-CREF by college and university presidents is favorable. Asked to rate eight aspects of service and performance, majorities of the presidents give TIAA-CREF favorable ratings ("excellent" or "good") on seven of them.**

   •Highest marks are given for keeping institutions informed about legislative and other changes affecting pension plans, and for the helpfulness of TIAA-CREF staff to the president's administrative staff. 8 in 10 or more say TIAA-CREF does an "excellent" or "good" job in these areas.

   •7 to 8 in 10 rate TIAA-CREF "excellent" or "good" on its helpfulness to pension plan participants, its administrative efficiency, the investment performance of the CREF fund, and the investment performance of the TIAA fund.

   •A majority (55%) rate TIAA-CREF favorably on its responsiveness to changing institutional needs, while just under half (48%) rate TIAA-CREF "excellent" or "good" on its responsiveness to changing employee needs.

2. **Despite the high marks given to TIAA-CREF for its services and its investment performance, a slight majority of presidents still see a need for change in TIAA-CREF's products or policies. When asked which specific areas should be changed, a number of different areas are mentioned but there is no consensus.**

   •Just over half the presidents (52%) say they see the need for TIAA-CREF to change some of its products or policies, and 41% say they do not see the need for change.

   •17% of all presidents think TIAA-CREF should add more investment options to the plan. 11% would like to see greater flexibility in moving funds between TIAA and CREF or, similarly, more flexibility in the investment choices between TIAA and CREF. These are the only changes more than 1 in 10 of the presidents mention.

3. **A slight majority of presidents say that faculty and staff at their institutions have expressed little concern over the pension plan in recent years. However, the presidents' own level of concern about the pension plan has been somewhat higher.**

   •Just over 4 in 10 presidents say that faculty and staff at their institutions have expressed "moderate" concern about the TIAA-CREF plan in recent years. 3 in 10 say the plan has been of "minor" concern to faculty and staff, and three times as many say the pension plan has been of "no real concern" (22%) to these employees as say it has been a "major" concern (7%).

   •The largest number of presidents (46%) say they personally have a "moderate" amount of concern about the pension plan. Among the rest, more than four times as many express "minor" concern (43%) as "major" concern (10%).

4. **A plurality of presidents view the institution's obligation to help long-term staff prepare financially for retirement as the most important reason for offering a pension plan. Most presidents view an income replacement goal as important to the pension plan. Nearly two-thirds of presidents believe their institutions will have to offer greater incentives for retirement now that mandatory retirement age has been eliminated.**

•Just under 8 in 10 presidents consider the institution's obligation to help career employees prepare financially for retirement as a primary reason for having a pension plan. More than 6 in 10 also indicate the difficulty of recruiting and maintaining a quality staff without an attractive pension plan and the desire to ensure a lifelong income for retired employees as primary reasons for offering a pension plan.

• 49% of presidents say the institution's obligation to help long-term staff prepare financially for retirement is the most important reason for offering a pension plan, while 24% cite staff recruitment and retention as the most important reason.

•Just under 8 in 10 presidents say an income replacement goal is important to the institution's pension plan.

•A majority of presidents (65%) believe their institutions will have to offer greater incentives for retirement as a result of the elimination of mandatory retirement age.

5. **Of eight possible added features of a pension plan, majorities of college and university presidents favor seven of them, but only if the added features do not increase the cost of the plan. Only one feature is not favored by a large percentage of presidents, regardless of its effect on the cost of the pension plan: a full cash option at retirement.**

•Of the eight features, the ones most favored, even if there were additional costs to the institution, are giving retired employees an automatic cost-of-living adjustment, a guaranteed minimum retirement benefit regardless of pension plan performance, and the option of taking up to 25% of their pension accumulation in cash at retirement rather than as an annuity.

•Other features favored by a majority, but only if no additional costs would result, are a rollover option at retirement of the pension accumulation, more investment choices, and expanded flexibility in allowing pension accumulations to be moved among different investment funds.

•The feature most opposed—by 42% of the presidents—is giving retiring employees an option to take *all* of their pension accumulation in cash at retirement rather than as an annuity.

6. **Policymaking for the institutions' pension plans, according to the presidents, is centered in the business or personnel office. Presidential involvement varies depending on the aspect of policymaking. The schedule for formal review of the pension plan also varies.**

•Three-quarters of presidents say the business or personnel offices have a "major" involvement in setting the institution's pension policy. Fewer presidents report that the Board of Trustees (34%) or the faculty (22%) have a "major" involvement. Much less significant roles are reported for unions and other employee groups.

•The participation of the presidents themselves in the policy–setting process is mixed. 44% say they take an active role and 50% say they rely primarily on their staff.

•Initiating changes in the pension plan is mainly the work of the president's staff. 66% of the presidents say they rely primarily on their staff to initiate changes, and 27% of the presidents say they get actively involved themselves.

•Reviewing the pension plan is another matter. 71% of the presidents say they normally are involved in reviewing the pension plan; only 28% say they are not involved in this function.

•Institutions have different time tables for formal review of the pension plan. 52% of presidents say formal reviews are conducted periodically, and 48% say only when the need arises.

HIGHLIGHTS OF COLLEGE AND UNIVERSITY BUSINESS AND PERSONNEL OFFICERS' RESPONSES

1. **Asked to rate TIAA-CREF on eight aspects of service and performance, majorities of business and personnel officers give TIAA-CREF a favorable rating on the eight.**

   •When asked to rate eight aspects of TIAA-CREF's service and performance on a four-point scale of "excellent" to "poor", more than 8 in 10 give favorable ratings ("excellent" or "good") on each of the following attributes: keeping business and personnel officers informed about legislative and other changes affecting the pension plan, the helpfulness of TIAA-CREF to both the officer's administrative staff and the institution's pension plan participants, and the investment performance of both the TIAA and the CREF funds.

   •Three-quarters give a favorable rating to TIAA-CREF's administrative efficiency. Just over 6 in 10 give TIAA-CREF a favorable rating on its responsiveness to changing institutional needs, and more than 5 in 10 give a favorable rating to TIAA-CREF's responsiveness to changing employee needs.

2. **Despite the favorable ratings given TIAA-CREF, 6 in 10 say they believe there is need for TIAA-CREF to change some of its products or policies. When asked to specify which areas need change, a number of different areas are mentioned but there is no consensus.**

   • 6 in 10 business and personnel officers say they believe there is need for TIAA-CREF to change some of its products or policies.

   •About one-quarter of all business and personnel officers say they would like TIAA-CREF to add more investment options to the pension plan. 18% would like greater flexibility in moving funds between TIAA and CREF, and 15% would like a lump sum cash distribution of the accumulation at retirement. These are the only changes more than 1 in 10 of the officers mention.

3. **Business and personnel officers report that concern about the TIAA-CREF pension plan at the institutional level is somewhat greater than has been shown by the faculty and staff of their institutions.**

   •A slight majority of business and personnel officers (52%) say that faculty and staff on their campuses have expressed "minor" or "no real" concern over the TIAA-CREF pension plan in recent years. 46% say the plan has been a source of "major" or "moderate" concern, with four times as many saying "moderate" (38%) as saying "major" concern (8%).

•Just over 6 in 10 business and personnel officers say the TIAA-CREF pension plan has been a source of "major" or "moderate" concern to the institution itself, with most saying it has been a source of "moderate" (46%) rather than "major" concern (16%). For 37% of the institutions, the plan has been a source of "minor" or "no real"concern.

4. **Virtually all business and personnel officers call the pension plan "very important" to the institution's overall personnel policy, and consider the obligation to help career staff prepare financially for retirement to be the most important reason for offering a pension plan. Most institutions do not have an income replacement goal for the pension plan, but a majority of the business and personnel officers at the institutions without an income replacement goal believe that it is important to develop such a goal. A majority of business and personnel officers believe their institutions will have to offer greater incentives for retirement as a result of the elimination of mandatory retirement age.**

• 9 in 10 business and personnel officers say the pension plan is "very important" to the institution's overall personnel policy. The only fringe benefit that is more likely to be called "very important" is hospitalization and medical benefits.

•Three quarters of business and personnel officers say the obligation to help career employees prepare financially for retirement is a primary reason for offering a pension plan, and two-thirds think this way about the difficulty of recruiting and maintaining a quality staff without offering an attractive pension plan. A plurality of business and personnel officers (43%) think the most important reason for offering a pension plan is the obligation to help long-term staff prepare financially for retirement, and 28% say the most important reason is the plan's positive effect on staff recruitment and retention.

• 8 in 10 business and personnel officers say their institutions do not have an income replacement goal for the pension plan. Only 18% report having one.

•A majority of business and personnel officers (57%) at institutions without an income replacement goal say it is important to develop one for career employees. 39% see the development of an income replacement goal as not important.

•A large majority (71%) of business and personnel officers at institutions with an income replacement goal say that the goal is an income equal to or greater than two-thirds of salary before taxes. An equally large majority (75%) of business and personnel officers at institutions without an income replacement goal think that a goal of two-thirds or more of salary before taxes would be satisfactory.

•Nearly 6 in 10 business and personnel officers think that the elimination of mandatory retirement age will result in their institutions having to provide greater incentives for retirement, and most think these greater incentives will have to be provided through a combination of the pension plan and other personnel programs and policies.

5. **Most business and personnel officers say their institutions do not offer any alternatives to the TIAA-CREF pension plan, and most report that their institutions do not want to offer any investment alternatives beyond what is currently offered. Furthermore, a large majority say they have no indication that a substantial number of employees at their institutions want additional investment alternatives in the pension plan. However, majorities would favor seven of eight added pension features, but only if they did not increase the cost of the pension plan.**

   •Two-thirds of business and personnel officers (67%) say their institutions do not offer any alternatives to the TIAA-CREF pension plan, and a similar percentage (69%) say their institutions do not want to offer other investment alternatives in the pension plan.

   •Nearly 8 in 10 business and personnel officers (78%) say they have not received any indication that a substantial number of employees at their institutions want additional investment alternatives in the pension plan.

   •Majorities of business and personnel officers say their institutions would favor seven of eight possible added features for the pension plan, but most of those who would favor these features would do so only if the added feature did not increase the cost of the pension plan. The feature most favored is an automatic cost-of-living increase for retired annuitants. Also highly-favored are giving employees the option of taking up to 25% of their accumulation in cash at retirement, a guaranteed minimum benefit regardless of the plan's investment performance, a rollover option at retirement of the pension accumulation, and expanded flexibility in allowing pension accumulations to be moved among different investment funds.

   •Favored also, but by a smaller majority, are more investment choices. The one feature that does not meet with majority approval is giving employees the option of taking their entire accumulation in cash in place of an annuity when they retire; 52% do not favor it.

6. **Most business and personnel officers do not have a great deal of confidence in employees' abilities to invest their own pension accumulations in a sound financial way.**

   •Majorities of business and personnel officers believe that less than half of each of the faculty, other professional or technical staff, and support staff can make financially sound choices among numerous investment alternatives in the pension plan.

   •Nearly 8 in 10 business and personnel officers (79%) report that their institutions would have "major" or "moderate" concern about employees mistiming financial market swings if they were permitted to move their pension accumulation money back and forth among multiple pension investments, and 74% report the same degrees of concern about employees spending their entire pension accumulation if they were allowed to take the full amount in cash at retirement.

7. **According to the business and personnel officers, the institution's Chief Financial Officer has the greatest degree of involvement in setting overall policy for the pension plan, initiating changes in the pension plan not required by law, and formally reviewing the pension plan. A majority of business and personnel officers say the institution formally reviews its pension plan only when the need arises.**

•The Chief Financial Officer is reported to have the greatest degree of involvement in setting overall policy for the pension plan, initiating plan changes, and formally reviewing the plan. The business and personnel officers also report a high level of involvement in each of these functions by the institution's president, the Board of Trustees, and themselves. Much less significant roles are reported for faculty, unions and other employee groups, and consultants.

•A majority of business and personnel officers (57%) say their institutions formally review the pension plan only when the need arises. A large minority (43%) say their institutions review the pension plan periodically.

OVERVIEW OF PRESIDENTS' AND BUSINESS AND PERSONNEL OFFICERS' RESPONSES TO SIMILAR QUESTIONS

The version of the questionnaire sent to the presidents was shorter than the version sent to the business and personnel officers. The presidents and business and personnel officers were asked a number of identical and similar questions about their attitudes toward pension plans in general and TIAA-CREF in particular. What follows is a brief summary of the responses to these questions: both groups gave remarkably similar answers.

1. Both presidents and business and personnel officers rate TIAA-CREF favorably on eight aspects of service and performance, but majorities of both groups say they believe there is a need for TIAA-CREF to change some of its products or policies. Changes they suggest include adding investment options, greater flexibility in moving accumulated funds between TIAA and CREF, and permitting lump-sum cashouts at retirement.

2. Concern about the TIAA-CREF pension plan is somewhat greater among the institutional officers themselves than they report has been shown by the faculty and staff of their institutions in recent years.

3. Presidents and business and personnel officers agree on the importance of having a pension plan to help staff prepare financially for their retirement, and agree that having or developing an income replacement goal is important to the institution's pension plan, even though fewer than 2 in 10 report their institutions have such a goal.

4. Majorities of both groups say their institutions would favor seven of eight possible added features for the pension plan, but only if the feature did not increase the cost of the pension plan. The feature most favored is an automatic cost-of-living increase in benefits for retired annuitants. The feature least favored is allowing employees to take their entire pension accumulation in cash at retirement.

5. Both presidents and business and personnel officers agree that the setting of pension policy is centered around the business or personnel office of the institution, but they differ slightly as to how frequently the institution formally reviews the pension plan, with the presidents reporting a somewhat higher incidence of plan review.

OVERVIEW OF INDIVIDUAL AND INSTITUTIONAL RESULTS

The individuals and the institutional officers were asked some similar questions about pension and retirement issues and their attitudes toward TIAA-CREF. What follows is a brief summary of their answers to these similar questions.

1. In general, TIAA-CREF is viewed favorably by both individual participants and institutional officers. Majorities of both active participants and retirees rate TIAA-CREF "excellent" or "good," and majorities of both groups of institutional officers give TIAA-CREF an "excellent" or "good" rating on seven of eight aspects of its service and performance.

2. Individuals and institutional officers do not agree on whether or not TIAA-CREF should change some of its products or policies. A minority in both of the two individual groups want changes in the TIAA-CREF program. The small minorities who want changes generally favor higher contribution levels and pension benefits. A large majority of active participants and retirees say they are satisfied both with the amount of say they have or had over how and where their pension contributions are invested and with the choices of pension payment options available to them. 6 in 10 of the business and personnel officers and half of the presidents say they see the need for TIAA-CREF to change some of its products or policies. Moreover, majorities of both groups favor seven of eight possible added features for their pension plans, but only if no cost increases would result. These include increasing the investment choices available to participants, greater flexibility in moving pension accumulations among different investment funds, pension rollovers at retirement, and a higher partial cash option at retirement. A large minority of the institutional officers favor a full cash option at retirement.

3. Individuals and institutional officers agree on the importance of the pension plan to financial security in retirement and on the importance of an income replacement goal for the pension plan.

4. Business and personnel officers express doubts about the ability of pension plan participants to make financially sound decisions about the investment of their pension accumulations, and active participants concur.

INDIVIDUAL SEGMENT (TELEPHONE SURVEY)

The Questionnaires

A draft of each questionnaire was prepared by TIAA-CREF and the Pension Issues Committee of the Washington Higher Education Secretariat and submitted to the Roper Organization. Roper made suggested revisions and agreed upon drafts were pretested on the night of April 2nd, 1987.

The Samples

TIAA-CREF supplied to the Roper Organization two lists of randomly-selected names and addresses of 2,656 premium-paying participants and 1,310 retired annuitants, each obtained through a straight probability sampling procedure. Each person on the lists was linked to certain demographic information, such as sex and age, from TIAA-CREF files. This information was provided for cross-tabular purposes only in the printout of data.

Home telephone numbers were then obtained for as many names on the lists as possible. When a telephone number was not obtainable, the name was discarded.

Interviewing

All interviews were conducted by telephone between April 7th and April 28th, 1987, in the central telephone facility located in the main office of the Roper Organization. A total of 1,005 interviews were completed for premium-paying participants and 510 interviews for retired annuitants. All respondents were called at their homes. All interviewing was conducted during the evening and on weekends to maximize the possibility of finding respondents at home. Call-back appointments were made to the extent necessary to complete quotas.

INSTITUTIONAL SEGMENT (MAIL SURVEY)

The Questionnaires

A draft of each questionnaire was prepared by TIAA-CREF and the Pension Issues Committee of the Washington Higher Education Secretariat and submitted to The Roper Organization. Roper made suggested revisions and agreed upon questionnaires were mailed to presidents and business and personnel officers at their institutional address on May 13th, 1987.

The Samples

TIAA-CREF supplied to the Roper Organization a list of 784 institutions along with the name of the president and a high-level business or personnel officer at that institution, such as the Comptroller, the Chief Financial Officer, or the Director of Personnel. These institutions are all colleges and universities in the TIAA-CREF system and represent a mix of institutions by control, size, and type (4-year or 2-year).

Response Rates to the Survey

The presidents and the business and personnel officers were sent a letter requesting their cooperation in the study in advance of the questionnaire. The letter was jointly signed by Ernst Benjamin and John Chandler, Co-Chairs of the Pension Issues Committee, and Clifton R. Wharton, Jr., Chairman and Chief Executive Officer of TIAA-CREF. In addition, the presidents were sent a second advance letter signed by Clifton R. Wharton, Jr. The questionnaires were mailed to both groups of officers on May 13th, 1987, along with a cover letter from Mr. Burns W. Roper, Chairman of the Roper Organization. All questionnaires were identified with a unique control number in order for the Roper Organization to know which officers had responded to the survey.

In order to heighten the response rate, all officers who had not returned a completed questionnaire by June 8th, were telephoned by a member of The Roper Organization. A maximum of five attempts were made to reach each non-responding officer at their offices in order to determine their willingness to cooperate in the survey. If requested, a second copy of the questionnaire was mailed to the officer.

On July 16th, the fielding period was ended and no additional completed questionnaires were accepted for tabulation. A total of 520 completed questionnaires of the 784 mailed out were received from the presidents and 590 from the business and personnel officers. This represents response rates of 66% and 75% respectively.